The FOOD MARKETING INDUSTRY SPEAKS 1983

Price:

Food Marketing Industry Speaks, 1983
FMI Members: $7.50
Nonmembers: $15.00

Food Marketing Industry Speaks, 1983 and
Detailed Tabulations from the Food Marketing
Industry Speaks, 1983
FMI Members: $15.00
Nonmembers: $30.00

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The FOOD MARKETING INDUSTRY SPEAKS.

The economic outlook for this year leaves ample room for optimism. Interest rates are down. Inflation is down. The Administration's economic program supports a gradual reduction in monetary growth which should keep inflation low. And another round of tax cuts will encourage consumer spending. All in all, most economists agree that the stage is set for recovery with clear indications of movement in that direction. But there are some wild cards.

First, there's government spending. Bringing the deficit under long term control is the real key to prolonged recovery. When our lawmakers recognize that reducing the deficit is a true bipartisan issue, there will finally be a chance to bring spending under control.

Second there is unemployment. As long as unemployment numbers continue to improve with the economy, the President will be on solid ground. But if we experience another surge in people out of work, a major change in policy direction may be needed.

This report examines all the interdependent parts of our industry that work together to put food on the dinner tables of America: the food producer, the manufacturer, the wholesaler, and the retailer. It begins with a review of the economy in general with an in-depth look at those aspects which affect our industry directly. It cover sales and profit trends, and provides a detailed look at several special interest areas.

Highlighted this year, for example, are distribution centers —both at the wholesale and retail levels. The report also examines electronic games, automatic teller machines, maintenance, taxes, and productivity by store type.

Much of the data are compiled through FMI's annual surveys of the industry. FMI gratefully acknowledges all those companies who gave their time and effort to fill out the questionnaires. A detailed explanation of the study is provided in the appendix.

Industry information is also drawn from other FMI research reports such as *Operations Review* and *Facts About Store Development*. The Institute would also like to acknowledge data gathered from *Forbes Magazine*, the U.S. Departments of Agriculture and Commerce, and many other business and government publications.

While this report contains the complete analysis for 1982, it does not include the cross tabulations of survey data from which this analysis was developed. This information, providing a more thorough look at industry activity, is contained in a separate, supplemental report entitled *Detailed Tabulations from the Food Marketing Industry Speaks, 1983*. Another publication, *Trends—Consumer Attitudes and the Supermarket, 1983*, parallels *Speaks* by presenting the state of the industry from the consumer side. *Trends* explores consumer attitudes toward the economy and the supermarket, and analyzes changes in consumer concerns and shopping patterns.

Conducted by:

The Research Division
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1750 K Street, N.W.
Washington, D.C. 20006

IN 1982

Retail Sales Gain	**8.7%**
Wholesale Sales Gain	**6.0%**
Sales Per Square Foot	**$7.90**
Sale Per Transaction	**$14.33**
Sales Per Labor Hour	**$90.00**
Gross Margin With Warehouse	**23.4%**
Gross Margin Without Warehouse	**21.2%**
Net Profit (before taxes)	**1.5%**
Average Weekly Store Sales	**$180,500**

These operating results are typical of FMI's member supermarkets. They represent average performance based on data from a cross-section of our membership.

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The ECONOMIC SETTING

After a period of hard economic times, 1982 brought some news that is unmistakably good. The hopeful signs were falling inflation, falling interest rates, and a rallying stock market. By the end of 1982 the continuing gains in the government's composite index of leading indicators showed the best piece of good news: progress toward economic recovery.

The inflation rate, which fell to the lowest level in a decade, had a positive effect on the housing industry. In August, interest rates began falling, dropping to 11.5 percent by year-end. This drop encouraged the purchase of houses. For home-buyers the good news was that 1982 marked the first time in recent years that home prices increased at a slower rate than inflation.

The 5-week stock market surge beginning on August 13 is still being discussed among market analysts. Despite fears and forecasts of a fall below the 1000 mark, the stock market continues its rise this year, shooting up past 1200 points on the Dow Jones Industrial Average. Of course in a recovery, not all aspects of the economy are going to "recover" at the same speed. Interrelated factors will cause a lag in some areas.

Unemployment was the gloomiest part of the economic picture, averaging 9.7 percent last year, the highest level since the early 1940's. Unemployment was heaviest in the last quarter, and in the first quarter of this year it remains over 10 percent.

Economic Growth

Real growth in the economy, as measured by the Gross National Product, fell to a minus 2 percent last year. In fact, in each quarter of last year the GNP was lower than the same quarter of 1981.

Even though production was down, and employment was down and real wage and salary income was down, there is a bright spot in this part of the picture. Real disposable after tax income increased in 1982. Americans ended up with more money in their pockets. This increase in disposable income was due in part to the average effective Federal personal income tax rate, which fell from 12.5 percent to 11.4 percent.

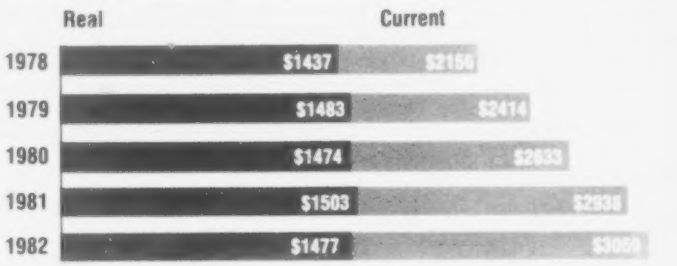
Not only did consumers have more money in their pockets, they spent more. Consumers increased their spending by 2.6 percent last year, measured in real personal consumption expenditures.

Despite a 6 percent rise in the Consumer Price Index for all items, food-at-home inflation was only 3.4 percent. This is a sharp inflation drop for our industry and marks the third year in a row of significantly falling inflation. Food away from home increased in price at a faster pace than grocery prices as it has in each of the last 4 years.

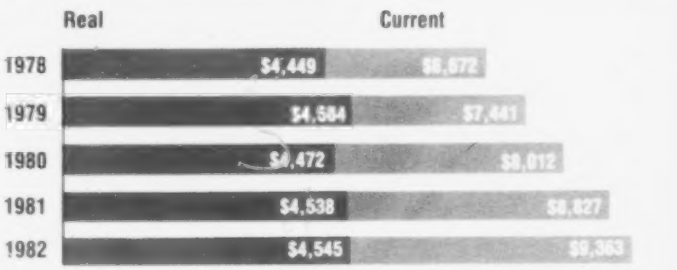
Food Production

With beef, pork, poultry and milk production continuing their

Gross National Product (Billions)



Per Capita Disposable Income



trends of the last few years, two areas stand out this year: fresh produce and corn.

It's clear that fresh fruits and vegetables are taking on new importance to consumers. Americans are eating more fresh produce, and farmers are growing more. Production of the nine major fresh vegetables was up 5 percent from 1981, continuing their steady climb since 1971. The forecast for 1983 is for even higher production. The effect of the rains in California is uncertain at this point, however. Although acreage planted is down, yield per acre is up and there may yet be ample supplies this year, but only if the weather improves.

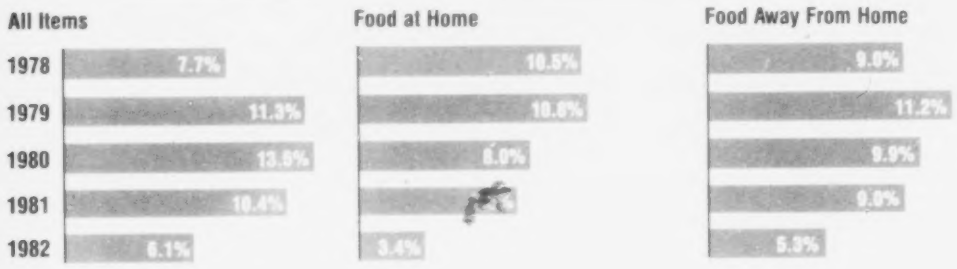
The corn industry has really been a victim of its own efficiency. Farmers increased production to match growing demand, but as demand growth slowed, production kept on climbing, reaching an all-time high last year. The resulting enormous stocks of both corn and wheat have now led our government to attempt an extraordinary measure to rid themselves of the surplus, the much publicized PIK Program (Payment In Kind).

PIK is an acreage reduction program in which farmers will receive the commodity from government storage that would have been grown on the acreage they withdrew from production. Food producers have been signing up for the program at a rate that has surprised the USDA. Secretary Block described producer participation as "breathtaking."

The expected 23 million acres withdrawn from production swelled to 82 million as more farmers than expected took part in the program. It's too soon to tell what the real impact will be on prices. Some analysts are predicting moderate feed price pressure, but no substantial run-up in corn prices. Others are worried about the possible effects on the poultry industry, as well as on the farm supply sector, including fertilizers and equipment. In reality, it depends on how good the crop turns out to be. We'll all have to wait and see.

A key part of the farm economy, exports, fell approximately 11 percent. The weak export market reflected the world recession, a strong dollar, and an increase in world grain stocks. Our share of the world grain stocks is expected to continue its rapid growth and should reach the 50 percent level in the 1982-83 crop year. This is one very real advantage of the PIK program over a simple withdrawal of acreage from production. With Payment In Kind, we maintain a flow of product into the export market.

Consumer Price Index



The INDUSTRY

Wholesaling

Wholesale sales increases averaged 6 percent last year. However, after adjustments for inflation, real sales increases dropped for the second year, to 2.5 percent. Sales for a typical store served by a wholesaler came to $2.16 million last year.

Of the various services wholesalers provided to their membership, more than 90 percent offered individual retail pricing, handling private label stock, and advertising support. More than 80 percent provided product movement data and equipment procurement. More than 70 percent, provided gross margin reports by item, and handled retail accounting and payroll.

Retailing

Current retail sales increased 8.7 percent, the smallest annual increase in the past 5 years. However, real sales increases, adjusted for inflation, were up 5 percent, the biggest rise in 5 years. Although operating conditions remain very tough, this is indeed a step in the right direction for our industry.

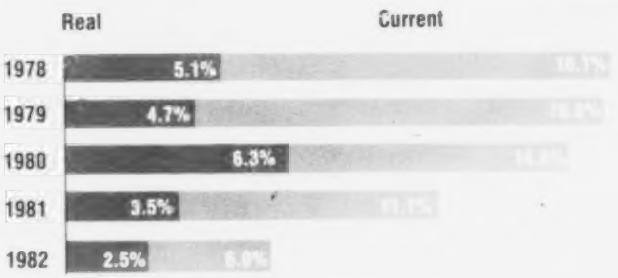
The comparison of identical store sales also shows how falling inflation affected the picture. Identical store sales in current dollars showed the lowest annual increase in 5 years. But this gain, although appearing low in current dollars, outstripped inflation, and the real sales gain adjusted for inflation was actually the highest in 5 years. Comparing real identical store sales with total company real sales, shows how difficult it has been to achieve sales growth through old stores. New stores and major remodelings continue to play an important role in the grocery industry in spite of tight investment capital markets.

Forbes magazine provides an indication of the profitability trend each year in their January issues. *Forbes* ranked supermarkets 28th in 1982 profitability among the 47 industries examined. Return on net worth the best measure of return to the owner, showed a healthy increase last year, up two percent from 1981. Return on total assets, a measure of capital productivity, hit a 5-year high of 10.7 percent.

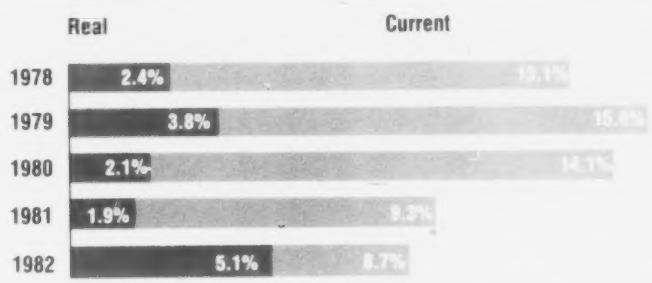
Restaurant sales increases were very low in the first part of the year, but by year-end this increase was dramatic. As people's budgets become tight, one of their first responses is to eat away from home less. As the economy begins to improve, Americans are beginning to splurge a little more.

Membership Services Provided by Wholesalers	
Individual Retail Pricing	93%
Handle Private Label	93%
Advertising Programs	91%
Handle Generic Label	88%
Product Movement Data	84%
Equipment Procurement	81%
Gross Margin Report by Item	77%
Retail Accounting	74%
Member Payroll	72%
Real Estate & Store Engineering	67%
Education/Training	67%
Equipment & Fixture Financing	63%
Interior Decor & Design Service	63%
Scanning Support	63%
Discount Program	56%
Space Allocation	54%
Lease Financing	49%
DSD System	49%

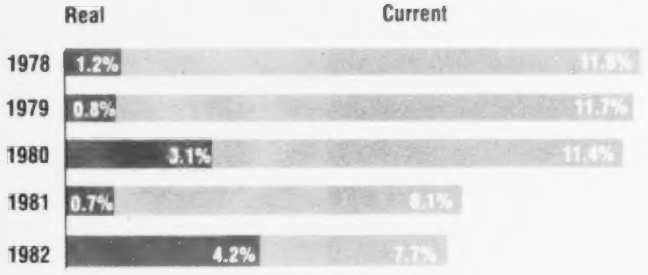
Wholesale Sales Increase



Retail Sales Increase



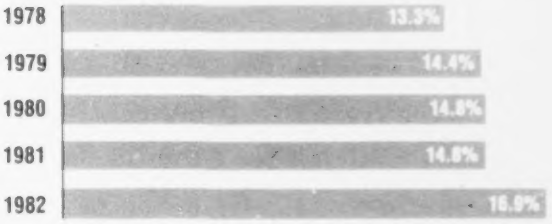
Identical Store Sales Increase



Return On Total Assets*

*Source: Forbes

Return On Net Worth*



*Source: Forbes

COMPANY PERFORMANCE

Gross Profit Margin

Gross profit margin is a measure of total sales income minus cost of the goods sold, all expressed as a percentage of sales revenue. All operating expenses and profits come out of the gross margin. For companies without their own warehouse, profit margins increased to 21.2 percent, a 5-year high. Companies with their own warehouse also set a record at 23.4 percent.

Store door margins, which represent gross margin minus warehouse and delivery costs, had a healthy increase this year to 19.2 percent.

Net Profit Margin

Net profit margin, which is calculated by dividing net profits by net sales, went up slightly last year after several years of decline. Quarterly net profits showed that the last half of the year was better than the first. 1982 was not as bad as it was feared it might be a year ago. Conditions in the industry are still tough, but the trends are certainly in the right direction.

Productivity

Profitability is tied to productivity. In this report, we analyze supermarket sales from a variety of angles to give us an indication of productivity trends.

One of these measures is sales per square foot, which increased both in current dollar terms to $7.90 and real terms to $2.83. Conventional stores, super stores, and combination stores all reflected increases.

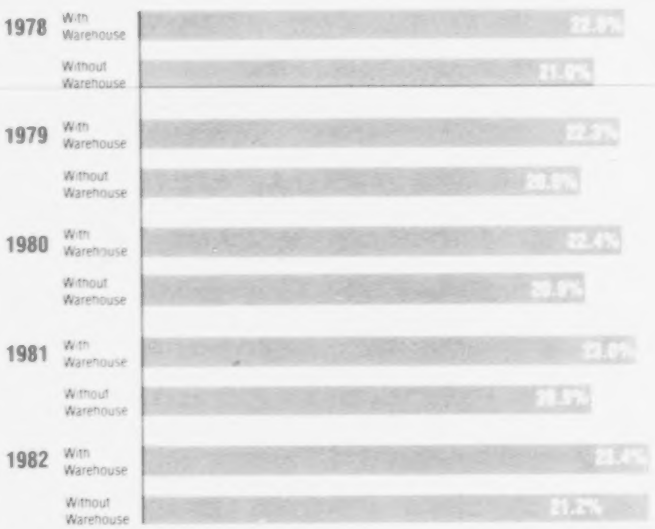
Sales per labor hour increased slightly in current terms, as they did the year before. But in spite of much well publicized progress on the labor negotiations front, real sales per labor hour fell $.75, a 5 percent decrease. Warehouse stores had the highest average sales per labor hour at nearly $130, with super stores a distant second at around $95.

Total labor cost as a percent of sales has been climbing steadily since 1979. Both direct and fringe costs were responsible for this increase. The average hourly labor cost was $7.93.

Average weekly store sales rose to more than $180,000, a 14 percent increase over 1981. Combination stores led with average weekly store sales of more than $300,000, and super stores ranked second at more than $200,000. Conventional stores were well below the industry average at $130,000 in weekly sales. These conventional stores are full line supermarkets smaller than 30,000 square feet.

The sales figure per customer transaction leveled off last year. After a hefty 17.6 percent current increase in sales per customer transaction from 1980 to 1981, there was only a one percent current increase last year. However, this works out to a 3 percent de-

Gross Profit Margin



Net Profit Margin before taxes

crease in real terms to $5.13. Of the various store types, only conventional stores, with their average sale per customer transaction of $13, fell below the industry average.

Sales figures last year show that non-foods accounted for over 11 percent of total supermarket sales, with 6.2 percent from general merchandise and 5 percent from health and beauty aids.

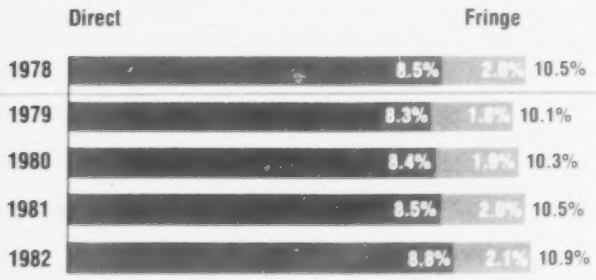
The typical supermarket last year was 29,000 square feet in total area. Super stores at 35,000 and combination stores at 46,500 square feet were the two types that were larger than the average.

For the items sitting on store shelves, the average price per item last year was $1.25, up from $1.19 in 1981. Both conventional and super stores listed $1.25 as the typical price. The average number of items in stores has stabilized over the last two years for each type of store. The average number of items for supermarkets of all types last year was just slightly over 13,000.

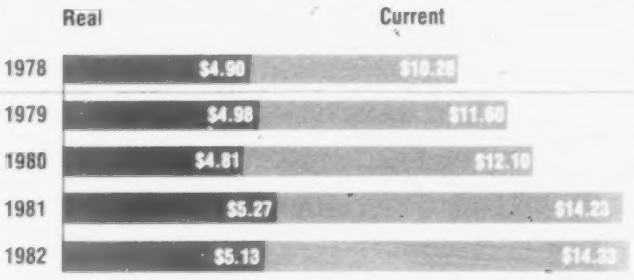
Larger retailers rely on their own warehouse for almost two-thirds of their products. Direct store deliveries supply a large portion of products for both larger retailers and independents.

Percentage of Operation Supplied by	*All Companies*	*Larger Retailer*	*Independent*
Own Warehouse	52%	59%	5%
Voluntary Wholesaler	7%	5%	19%
Cooperative Wholesaler	7%	4%	28%
Unaffiliated Wholesaler	10%	9%	17%
Direct Vendor Deliveries	24%	24%	30%

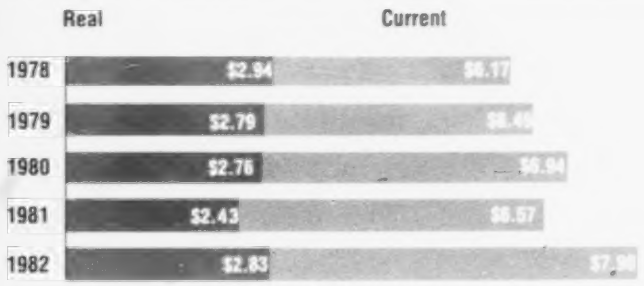
Total Store Labor Cost



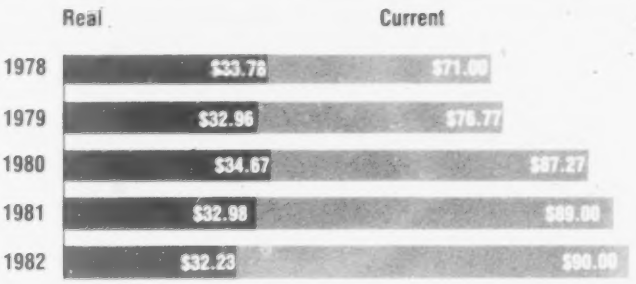
Sale Per Transaction



Sales Per Square Foot



Sales Per Labor Hour



DISTRIBUTION CENTERS

Transportation/Fleet

A typical fleet includes 74 refrigerated and 89 dry trailers. There are an average of 61 3-axle tractors and 12 2-axle tractors, and the ratio of trailers to tractors is 2.2 to 1.

Eighty-four percent of trailers are owned, with the rate somewhat higher among retailers and lower among wholesalers. Seventy-seven percent of tractors are owned, again with retailers exceeding the average and wholesalers falling somewhat below.

Typical Fleet Per Company	
Number of Trailers	
Refrigerated	74
Dry	89
Number of Tractors	
3-Axle	61
2-Axle	12
Ratio of Trailers to Tractors	2.2

There are nearly one-and-a-half full time drivers per tractor, with retailers slightly above and wholesalers slightly below this average.

The average number of miles per truck trip fell slightly last year, while the average distance between the center and the store served rose slightly over the previous year.

The percentage of truckloads

Proportion of Fleet Owned	Total	Retailers	Wholesalers
Trailers	83.9%	93.8%	72.2%
Tractors	76.6%	84.7%	67.5%

delivered by common carrier is highest of any category of delivery for both retailers and wholesalers, with company trucks and backhaul in the number two slot. At the bottom of the list for both wholesale and retail is the supplier's private carrier.

Dry Grocery Distribution Centers	
Average Total Area	
Total Centers	219,420
Retail Centers	223,135
Wholesale Centers	200,000

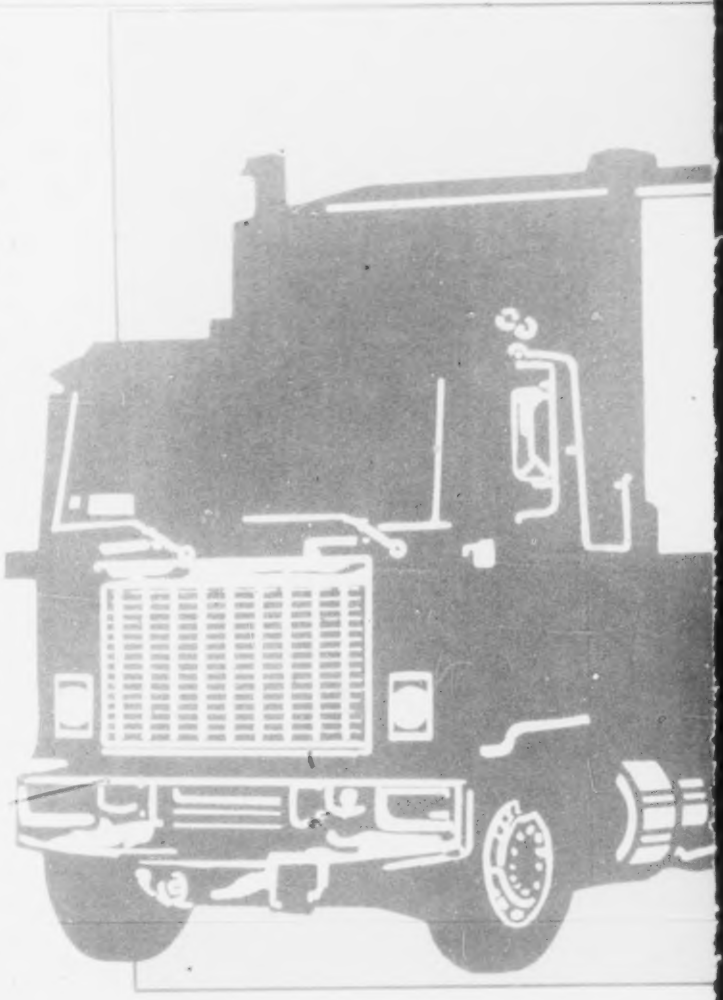
Dry Grocery Distribution Centers

A look at dry grocery distribution centers shows that the average total area for all centers for both wholesalers and retailers is just under 220,000 square feet. The average dry grocery distribution center has 78 employees.

The number of inbound truck loads is 137 and the number of rail cars is 12. The average number of outbound vehicle loads is 145.

The average number of items available is 5,568. The number of orders processed each week is more for wholesalers than retailers, 361 compared to 189. Dry grocery distribution centers usually use manual selection. Only 11 percent use conveyor. The majority operate 2-shift centers. The productivity figures involving cases show 158 shipped per direct labor hour, 70 shipped per total hour, and 161 selected per direct labor hour.

Frozen Food	
Average Total Area	
Total Centers	28,000
Retail Centers	28,450
Wholesale Centers	28,000



Frozen Food Distribution Centers

As we shift our attention to frozen food distribution centers now, we see an average of 82 supermarkets served per center.

Frozen Food	
Average Number of Cases Shipped per Week	35,000
Average Number of Cases Shipped per Direct Labor Hour	140
Average Number of Cases Selected per Direct Labor Hour	153
Average Number of Cases Shipped per Total Labor Hour	70

These centers receive fewer rail cars than dry grocery centers, only one per week.

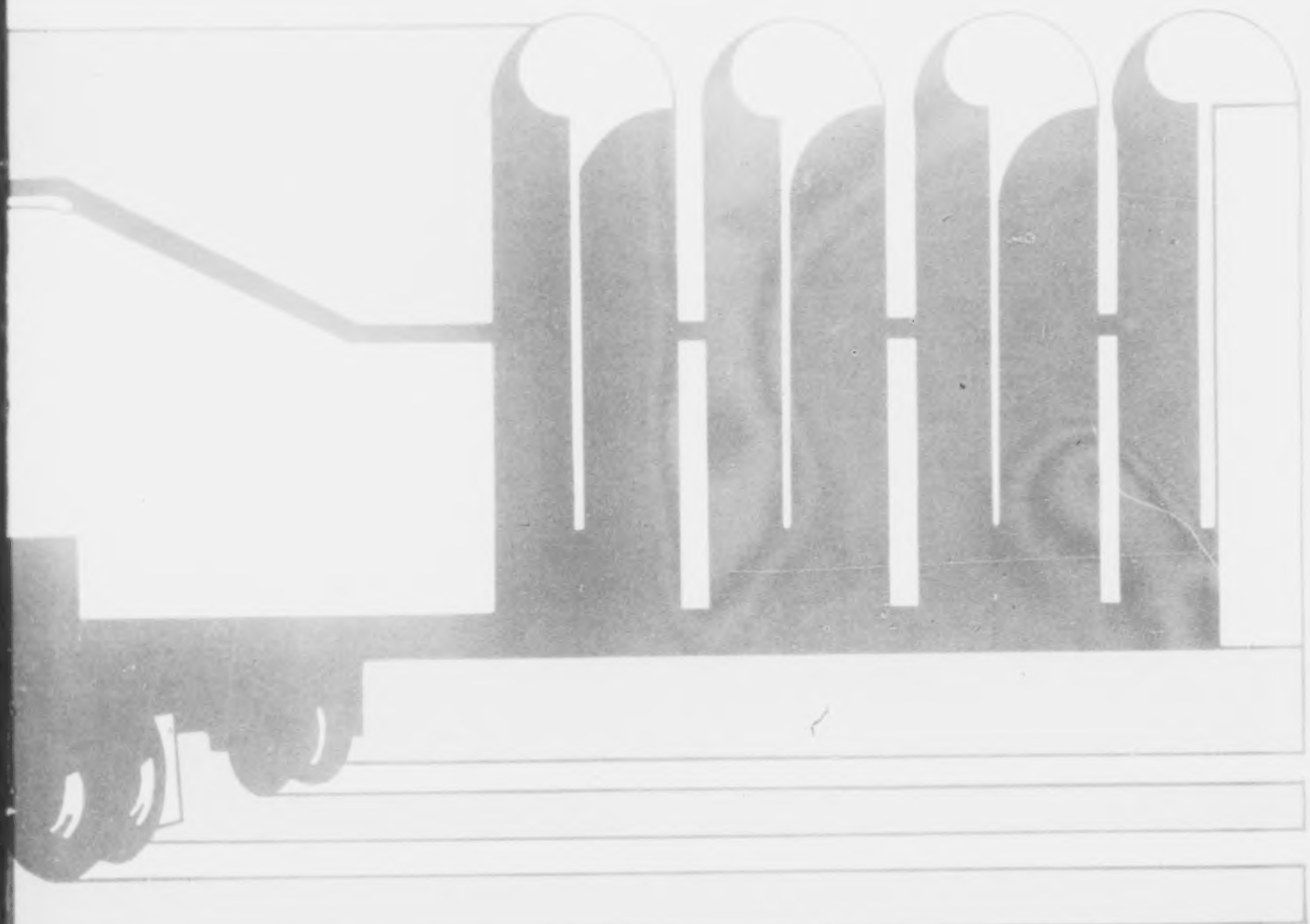
Wholesale centers average 28,000 square feet, with retail centers almost 500 square feet larger than that. These frozen centers have an average of 900 items available, with an average of 17 inventory turns per year. On the labor side, there is an average of 14 employees per center with well over twice as many two-shift centers, compared to one-shift centers.

Manual selection is used 89 percent of the time. In direct labor ratios, nearly 300 cases are stored and replenished per direct labor hour and about half that number are selected per direct labor hour. When computed for total labor hour, 70 cases are shipped per labor hour. For direct labor hour, the number rises to 140.

Frozen food centers average shipments of 35,000 cases per week.

Number of Shifts Operated Per Day in Distribution Centers

	All Companies	Wholesale Companies	Retail Companies
Dry Grocery			
One	19%	6%	32%
Two	53%	67%	39%
Three	27%	26%	29%
Frozen Food			
One	24%	14%	36%
Two	59%	65%	52%
Three	17%	22%	12%



OPERATIONS

Maintenance

As the pace of new store construction remains slow, maintenance becomes more important, important for the store image, for labor productivity, and for cost control as well.

The cost for in-store maintenance and repair now represents one percent of sales. About half the companies surveyed include maintenance of front end scanning in this figure.

This one percent cost figure is divided between heating, ventilation, air conditioning (HVAC), and refrigeration equipment which together represent 62 percent; electrical costs, which account for 14 percent, and all other maintenance costs which together represent 25 percent.

Maintenance people usually have some involvement in energy conservation. On a scale of 1 to 5, with one indicating no involvement and five total involvement, the response to the survey averaged 2.7.

Store management is likely to have some control over store maintenance, ranking 3.7 on the scale.

Electrical repairs and maintenance are usually handled by an outside contractor on a time and materials basis. HVAC and refrigeration equipment may be handled in a variety of ways. Preventive maintenance programs are often informal, worked in whenever there's time.

For HVAC and refrigeration equipment, 39 percent of the companies have a formal or scheduled work arrangement.

Ninety-four percent of all companies answer a HVAC or refrigerator equipment call within hours, usually 2½ hours. Of the 68 percent of companies whose response time is less than one day for electrical troubles, these calls are also answered in a little over 2½ hours.

Most maintenance calls handled by store personnel involve the store personnel calling outside contractors. Only a third call a central dispatch within the company.

Most companies spot replace their lamps. Larger companies are more likely to group relamp, which they typically do about every 2.7 years.

How Maintenance is Typically Handled

	HVAC and Refrigeration	Electrical	Other
In-House Personnel	16%	15%	25%
Outside Contractor Time and Material Basis	38%	55%	18%
Outside Contractor Service Contract	19%	4%	9%
Mixture	27%	26%	48%

Taxes

With tax reform such a high profile issue this year, we explored industry on tax and financial reporting procedures. We found that the typical retail company has 58 percent of its fixed assets in store equipment and 22 percent in supermarket buildings. The remaining fixed assets were in distribution center buildings, equipment, and vehicles.

For tax reporting, 86 percent of the companies use the accelerated method of depreciation, as opposed to straight line, for distribution center equipment purchased before the Economic Recovery and Tax Act went into effect. But 74 percent use the straight line method for financial reporting.

For tax purposes, supermarket buildings purchased before ERTA was enacted are almost equally likely to be depreciated using the accelerated method or the straight line method. When asked what effects ERTA had on their operations, 39 percent of the retailers mentioned the positive effects of the Accelerated Cost Recovery System, depreciation, or improved cash flow. Only 7 percent had negative comments about the effects of ERTA. About 62 percent of the companies surveyed rely for tax help on an outside accounting firm.

Percentage of Advertising Dollars Spent on

Newspapers	37%
Radio	8%
Television	13%
Mailers/Flyers	14%
In-Store Coupons	3%
Billboards	*
Other	6%

*Less than .5%

Advertising

When it came to company advertising last year, total expenditures stayed constant at 1 percent of sales. All categories of advertising have increased their share of the advertising dollar, except for one: mailers and flyers. The majority of that advertising dollar is spent on newspaper space. In 1982, there was a big jump in the use of mailers and fliers. This year retailers have backed off that position somewhat and reallocated the difference to radio and television.

Average Length of Useful Life*	Accelerated	Straight Line
Supermarket Buildings	26 years	27 years
Distribution Center Buildings	32 years	28 years
Store Equipment	8 years	8 years
Distribution Center Equipment	7 years	10 years
Vehicles	4 years	4 years

*For tax reporting.

Electronic Games

Electronic video games were big news last year. But this year, the results show that electronic game activity in supermarkets seems to have peaked. Fewer stores had electronic games last year than the year before, and the number of stores planning to get them has decreased even more, from 38.3 percent in 1981 to 22.1 percent last year. The average number of electronic games per store still using them has increased, while the average gross revenue per game per week has decreased. There has been a slight shift of the games to outside the store, although 95 percent are still placed at the inside front of the store.

The biggest news in this area this year is the jump in reported problems with loitering and general disruption associated with the games. The loitering category alone jumped from under 10 percent last year to 50 percent this year. After a year of experience with these games the problems seem to be catching up.

Automatic Teller Machines

A very hot topic for some retailers is the potential of automatic teller machines (ATMs) in stores. The ATM picture is changing so quickly, it's hard to take a snapshot of where things stand at any given moment. We seem to be on the threshhold of exploring the potential that ATMs hold for our industry.

Four and one half percent of the stores surveyed have ATMs. About 85 percent of the ATMs associated with supermarkets are part of a shared system.

Transactions at ATMs in supermarkets average 1000 per week. ATM transactions are mostly to dispense cash—nearly 65 percent—followed by balance inquiry at 25 percent, and deposit-taking at about 9 percent.

Banks or other financial institutions own the ATMs in almost 78 percent of the cases. The supermarket company owns the ATMs in 18 and a half percent of the cases.

In supermarkets that have ATMs, about 23 percent of customers have access cards, but only 7 percent of these regularly use the machines.

One fact that may be surprising to some is that check volume hasn't changed in about 84 percent of the stores that have ATMs. Check volume has decreased in only about 16 percent of the stores.

Supermarket personnel receive customer complaints about out of order ATMs approximately 60 percent of the time. The bank or financial institution receives these complaints about 45 percent of the time. These numbers add up to more than 100 percent because some people complain to more than one person.

Location of ATMs	
Through the Wall	28%
Outside the Supermarket	7%
In front of in the Vestibule	17%
Near Checkouts	35%
Other	13%

ATM Ownership	
Banks	70%
Other Financial Institutions	8%
Supermarket Company	19%
Third Party Service Provider	1%
Other	3%

Unlike electronic games, the ATMs don't seem to be causing disruptions in stores. Nearly 87 percent of stores with ATMs reported no major disruptions or problems associated with the machines.

Major Difficulties with Games	
No Problem	50%
Loitering of Players	50%
General Disruption	13%
Poor Service	3%
Increased Pilferage	3%
Equipment Repairs	*

*Less than .5%

STORE DEVELOPMENT

Last year 65 percent of all existing stores were conventional stores. It's been an average of seven years since the typical conventional store was remodeled, making this type of store the oldest in terms of years since being remodeled. The newest stores are combination, limited assortment, and warehouse stores.

In 1982 there were fewer new stores and more store closings than in 1981. The greatest percentage of stores closed—more than 70 percent—were conventional stores. The greatest percentage of new stores opened were super stores at about 42 percent of all openings. Twenty-seven percent of new stores opened were combination stores.

After stores are built, they can be expected to undergo a major remodeling in 10 years. After that, stores are usually remodeled every seven years.

There is one pattern in new store development which is changing. After a lull in the mid to late 70's, the size of new stores has started to rise once again, with average square feet now totaling 36,400.

The average total construction cost is $55.69 per square foot, with nearly $30 for building cost and nearly $24 for store equipment, fixtures, and decorations. The average time from construction to breakeven is 12 months.

The average minimum rent for new stores is $5.45 per square foot compared to $2.91 for existing stores. The overages as percent of sales are .8 for new stores, which is one-tenth of a percent below existing stores. This brings an expected total rent of $6 for new stores and $4 for existing stores.

New Stores Opened

New Store Total Area In Square Feet

Stores Closed

About the Study

This year's report is the result of food marketing companies participation in several FMI surveys, *Retail Operations, Distribution Center Operations, Cash Dispensors, Taxes, Operations Review* and *Facts about Store Development*. Nonmembers as well as members were invited to provide company data in many of the surveys. The sample description for four of these questionnaires are presented on the opposite page. These numbers represent information from approximately twenty percent of the companies invited to participate.

All averages shown in this report are median figures, except where noted. Medians provide a better industry average because the figures are not subject to distortion by unusual extremes. This is very important when a few companies differ very significantly from the marketing average.

When measuring real growth in retail sales and productivity, *Speaks* uses the CPI food-at-home index as a deflator. The table below charts this deflator.

In this report, FMI defines a supermarket as a retail food store with annual sales of at least $2 million. This report is a summary of key findings of the surveys. Some, however, may have the need for more detailed facts and figures. The supporting tables for this report are found in the companion report entitled *Detailed Tabulations from the Food Marketing Industry Speaks, 1983* and in *Facts about Store Development*.

Index For Deflating Annual Supermarket Sales

	CPI Food at Home	% Increase
1974	162.4	14.9
1975	175.8	8.3
1976	179.5	2.4
1977	190.2	6.0
1978	210.2	10.5
1979	232.9	10.8
1980	251.5	8.0
1981	269.9	7.3
1982	279.2	3.4

APPENDIX

Trends in Operating Results

	1978	1979	1980	1981	1982
Gross Profit with Warehouse	22.6%	22.3%	22.4%	23.0%	23.4%
Gross Profit Without Warehouse	21.0%	20.5%	20.9%	20.9%	21.2%
Sales Per Labor Hour	$71.00	$76.77	$87.27	$89.00	$90.00
Sales Per Square Foot	$ 6.17	$ 6.49	$ 6.94	$ 6.75	$ 7.90
Sale Per Customer Transaction	$10.28	$11.60	$12.10	$14.23	$14.33
Average Hourly Labor Cost*	$ 5.36	$ 5.92	$ 6.57	$ 7.64	$ 7.93
Store Labor Expense	8.5%	8.3%	8.4%	8.5%	8.8%
Fringe Benefit Expense	2.0%	1.8%	1.9%	2.0%	2.1%
Grocery Department Shrink	0.5%	0.6%	0.5%	0.5%	0.5%
Net Profit (before taxes)	1.7%	1.9%	1.5%	1.4%	1.5%

*Excluding fringe benefits

Sample Description For *Food Marketing Industry Speaks*

Retail Operations Questionnaire

(Base) Company Retail Sales (millions)	Sample Companies (223)
Under $10	32.7%
$10-$30	28.3%
$31-$100	20.2%
$101-$250	5.8%
$251-$500	7.2%
Over $500	5.8%
	100.0%

Distribution Center Operations Questionnaire (Base) Company Sales (millions)	Sample Wholesale Companies (44)	Sample Retail Companies (53)
Under $30	2.3%	1.9%
$31-$100	22.7%	7.5%
$101-$250	38.6%	15.1%
$251-$500	9.1%	26.4%
Over $500	27.3%	49.1%
	100.0%	100.0%

ATMs and Cash Dispensors

(Base) Company Retail Sales (millions)	Sample Companies (227)
Under $10	28.2%
$10-$30	19.4%
$31-$100	16.3%
$101-$250	12.8%
$251-$500	10.6%
Over $500	12.8%
	100.0%

Tax Questionnaire

(Base) Company Retail Sales (millions)	Sample Companies (162)
Under $10	21.0%
$10-$30	16.6%
$31-100	19.1%
$101-$250	14.0%
$231-$500	11.5%
Over $500	17.8%
	100.0%

READER'S COMMENT FORM

Report: The Food Marketing Industry Speaks 1983

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The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1,100 members—food retailers and wholesalers and their customers in the United States and overseas. FMI's domestic member companies operate over 17,000 retail food stores with a combined annual sales volume of $125 billion—half of all grocery sales in the United States. More than three-fourths of FMI's membership is comprised of independent supermarket operators or small regional firms. Its international membership includes more than 100 members from 37 nations.